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Martin Walker in Washington

The CIA Director William Webster has intrigued Western European and Japanese diplomats in the US with a speech on US intelligence strategy in which he hinted that traditional allies who are also economic rivals are becoming intelligence targets.

"Our political and military allies are also our economic competitors", Mr Webster warned in an important policy speech to the World Affairs Council in Los Angeles yesterday.

"The national security implications of a competitor's ability to create, capture or control markets of the future are very significant", he went on.

It was the first public analysis by the head of the CIA to explore the implications of the fading of the Cold War for the future of US intelligence.

"The intelligence community looks at these developments from a strategic perspective, examining what is occurring, the forces at play and the ways that actions taken abroad can directly and indirectly affect our national security interests", he added.

The CIA and other US intelligence agencies are shifting their strategic focus towards global economic issues as the East-West military confrontation loses its old urgency, the CIA Director said.

"Intelligence on economic developments and other issues has never been more important", he said. "Policy-makers are turning to us for timely and objective assessments on both fast-breaking events and long term global trends".

The growing integration of the world's financial markets and the relaxation of exchange controls also pose new national security risks for the US, he argued. Mr Webster cited the explosive growth in the numbers of banks, and foreign exchange transactions of \$300 billions and more each day as vulnerable areas for US economic interests.

"For the US, these changes have made it easier to tap Japanese and European surplus capital for financing US trade and fiscal deficits and have brought productive investment to US soil. But this new financial environment is also creating some potential risks", he warned.

The CIA was increasingly finding that its researchers had to concentrate on the economic dimension, he went on, arguing that the Third World debt problem could lead to political instability that could affect US security interests.

"Along with the globalisation of international finance has come the greater use of the financial system by governments and groups whose objectives threaten our national security interests".

"The international narcotics money-laundering industry, as well as terrorist activities, gray arms purchases, technology transfer and nuclear proliferation, are often funded through the world's financial networks", he went on.

Although the traditional mission of watching the Soviet Union and the Eastern block would be maintained, this too was changing its focus.

"We will be looking to see if the Soviet compensate for cutbacks in defence research, development and procurement by increasing their efforts to obtain Western defence information and technology", Mr Webster added.

"Despite Glasnost and perestroika, the intelligence activities of the Soviet Union and its Warsaw Pact allies have not abated", he added.

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